

**CITY OF DECATUR
BOARD OF EDUCATION**

**ANNUAL FINANCIAL REPORT
FOR THE
FISCAL YEAR ENDED JUNE 30, 2017**

**CITY OF DECATUR BOARD OF EDUCATION
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I. FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

**To the Superintendent and Members of
the City of Decatur Board of Education
Decatur, Georgia**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **City of Decatur Board of Education** (the "District") as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Decatur Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Decatur Board of Education as of June 30, 2017, and the respective changes in financial position, and the budgetary comparison for the General Fund, for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Proportionate Share of the Net Pension Liability, and the Schedule of Contributions (on pages 4 through 8, 47 and 48), respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Decatur Board of Education's basic financial statements. The combining and nonmajor fund statements and schedules and continuing disclosure section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-121, and the accompanying schedule of expenditures of federal awards, as required by the Uniform Guidance, as listed in the table of contents, are presented for purposes of additional analysis and are also not a required part of the basic financial statements.

The combining and nonmajor fund statements and schedules, schedule of expenditures of special purpose local option sales tax proceeds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and nonmajor fund statements and schedules, schedule of expenditures of special purpose local option sales tax proceeds, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The continuing disclosure section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2017, on our consideration of the City of Decatur Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Decatur Board of Education's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 20, 2017

BASIC FINANCIAL STATEMENTS

**CITY OF DECATUR BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

The discussion and analysis of the City of Decatur Board of Education's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the complete financial statements, with footnotes, to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- Total net position increased from approximately \$120.9 million in 2016 to approximately \$123.2 million in 2017, an increase of approximately \$2.3 million. This increase is due primarily to an increase in property taxes and operating grants and contributions during the current fiscal year.
- Total revenues decreased from approximately \$141.2 million in fiscal year 2016 to approximately \$73.2 million in fiscal year 2017, a decrease of approximately \$68, million the majority of which included the receipt of intergovernmental proceeds from the City of Decatur of approximately \$75.3 million in the prior fiscal year. In addition, the District saw an increase in property tax revenues of approximately \$1.8 million or 6.0%. The increase in property taxes was the result of an increase in the tax digest of approximately 4.5%.
- Total expenses increased from approximately \$64.6 million in fiscal year 2016 to approximately \$70.9 million in fiscal year 2017, an increase of approximately \$6.3 million. This increase was the result of an increase in staff to accommodate the increase in enrollment, a step increase of approximately 2.5% for qualifying employees, a cost of living adjustment of 1% for all employees, and an increase to the employer portion of health care costs for Classified employees.
- Among the major funds, the General Fund has approximately \$64.3 million in revenues (including other financing sources) and approximately \$61.7 million in expenditures (including other financing uses) in fiscal year 2017. Fund balance for the General Fund increased by approximately \$2.5 million due to better than expected State and local tax revenues.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements comprise three components: 1) Government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information related to the District's pension plan and other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all of the District's assets, liabilities, deferred outflows of resources, and deferred inflows of resources with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

**CITY OF DECATUR BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

	Governmental Activities	
	2016	2017
Assets:		
Current and other assets	\$109,674,332	\$86,479,087
Capital assets	110,806,208	136,150,372
Total assets	<u>220,480,540</u>	<u>222,629,459</u>
Deferred Outflows of Resources		
Pension related items	<u>7,798,480</u>	<u>18,458,926</u>
Liabilities:		
Long-term liabilities outstanding, net of current portion	75,453,988	89,155,250
Other liabilities	15,083,954	15,472,153
Total liabilities	<u>90,537,942</u>	<u>104,627,403</u>
Deferred Inflows of Resources		
Unearned revenue – property taxes	13,139,510	12,974,689
Pension related items	3,665,284	278,360
Total deferred inflows of resources	<u>16,804,794</u>	<u>13,253,049</u>
Net Position:		
Net investment in capital assets	71,123,264	96,559,966
Restricted	67,400,865	44,987,941
Unrestricted (deficit)	<u>(17,587,845)</u>	<u>(18,339,974)</u>
Total net position	<u>\$120,936,284</u>	<u>\$123,207,933</u>

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

	Government Activities	
	2016	2017
Revenues:		
Program revenues:		
Charges for services	\$3,775,647	\$3,901,179
Operating grants and contributions	26,619,749	31,373,777
Capital grants and contributions	75,346,984	-
General revenues:		
Property taxes	30,385,778	32,216,590
Sales taxes	3,529,131	3,620,697
Unrestricted investment earnings	139,120	400,344
Other	1,370,308	1,706,139
Total revenues	<u>141,166,717</u>	<u>73,218,726</u>
Expenses:		
Instruction	39,699,644	41,399,016
Support services	20,548,028	24,498,212
Food services operation	2,560,582	2,936,526
Community service operation	97,513	138,521
Interest on long-term debt	1,702,315	1,974,802
Total expenses	<u>64,608,082</u>	<u>70,947,077</u>
Increase in net position	76,558,635	2,271,649
Net position, beginning of fiscal year	44,377,649	120,936,284
Net position, end of fiscal year	<u>\$120,936,284</u>	<u>\$123,207,933</u>

**CITY OF DECATUR BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

In contrast, fund balance reports only those assets, deferred inflows of resources, and liabilities that primarily have an impact on short-term financing decisions. Fund balance (specifically, unassigned fund balance) is a measure of available financial resources. Net position reports all assets, all liabilities, and certain deferred outflow and inflows of resources regardless of their relevance to near-term financing decisions. Net position should be understood as a measure of net worth rather than a measure of available financial resources.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two (2) categories: governmental funds and fiduciary funds.

Governmental Funds

Most of the District's activities (instruction, administration, maintenance, and student transportation) are reported in governmental funds, which focus on how money flows in and out of those funds and balances left at fiscal year-end are available for spending in future periods. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The governmental fund activities may be financed with property taxes, Quality Basic Education (QBE) State formula aid, and federal funds.

Fiduciary Funds

The District is the trustee, or fiduciary, for assets that belong to others, such as club and class funds and payroll withholding funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

Government-wide Financial Analysis

As previously stated, the total net position for fiscal year 2017 is approximately \$123.2 million which represents an increase over fiscal year 2016 in the amount of approximately \$2.3 million. This increase to the District's net position from the prior fiscal year was primarily due to the increase in property taxes.

Changes in Net Position from Operating Results

Revenues

For fiscal year 2017, the District's total revenues decreased by approximately 48% or \$68 million. This decrease was mainly due to the receipt of intergovernmental proceeds from the City of Decatur of approximately \$75.3 million in the prior fiscal year.

Expenses

The District's total expenses increased approximately 9.8% as compared with fiscal year 2016. Instruction increased by approximately \$1.7 million or approximately 4.3%, Support Services increased by approximately \$4.0 million or approximately 19.2%, and Food Services operation increased \$375,944 or approximately 14.7%. The increase in Instruction, Support services, and Community service operation expenses was the result of an increase in staff to accommodate the increase in enrollment, a step increase of approximately 2.5% for qualifying employees, a cost of living adjustment of 1% for all employees, and an increase to the employer portion of health care costs for Classified employees. The increase to Food

**CITY OF DECATUR BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Service was due to increases in employee salaries, benefits and food costs. In addition, interest on long-term debt increased by \$272,487 as a result of long-term debt obligations.

Governmental Activities

The net cost of governmental activities reports the total and net cost of major District activities: instruction, pupil and improvement of instructional services, school and administrative services, maintenance and operations, transportation, and others.

Net cost of services is the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost shows the financial burden on the District's taxpayers by each activity. The total cost of governmental services in fiscal year 2017 was approximately \$70.9 million. Users of the District's programs financed approximately \$3.9 million of the costs. Federal and state grants, subsidized programs and contributions financed approximately \$31.4 million of the cost. The District's property taxpayers financed approximately \$32.2 million of the District's costs for fiscal year 2017.

The District's Funds

The District ended fiscal year 2017 with a strong fund balance in its governmental funds. The combined balance of all governmental funds including the District-wide Capital Projects Fund is approximately \$60.7 million. The ending fund balance represents approximately 61.9% of total expenditures. Of the governmental fund balance, approximately \$44.4 million is restricted for capital projects and approximately \$6.2 million has been assigned by the Superintendent to cover a projected fiscal year 2018 budget deficit.

General Fund Budgetary Highlights

In developing the fiscal year 2017 budget, the Administration of the District understood and planned for the following: appropriate student/teacher ratios, adequate fund balance reserves, and expenditure controls. As a result, the budget included an increase in staff and benefits as a result of the increase in enrollment. Planning for these and other unforeseen challenges are necessary in this time of enrollment growth.

The City of Decatur Board of Education originally budgeted for an use of fund balance of approximately \$1.8 million but actually achieved a positive result of approximately \$2.5 million. This variance is a result of higher than expected property tax revenues, increased State QBE funding due to increased enrollment and controlled spending.

General Fund

The total fund balance of the General Fund of approximately \$15.7 million represents an increase of approximately \$2.5 million over the previous fiscal year's ending fund balance. In fiscal year 2017, the increase in fund balance was due to a conservative budget and the continuous monitoring and review of the District's financial state. To that effect, the Superintendent has assigned fund balance to cover a projected fiscal year 2018 budget deficit bringing the unassigned fund balance down to approximately \$9.3 million or approximately 15% of fiscal year 2017 expenditures and other financing uses, and approximately 14.6% of budgeted fiscal year 2018 expenditures.

**CITY OF DECATUR BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

District-wide Capital Projects Fund

The District uses capital projects funds to account for school construction and improvement projects. Since 1997, sales tax proceeds have become the primary funding source as a result of the approval by DeKalb County voters in March 1997 of a five-year special purpose local option sales tax (SPLOST). Collections of the tax began on July 1, 1997 and it has been renewed by the voters three subsequent times. The current SPLOST that began July 2012 is expected to generate a total of \$645 million of which City Schools of Decatur received \$18,115,116 million over its life. The sales tax is proportionately distributed to DeKalb, Atlanta Independent School System (within DeKalb County) and City of Decatur Board of Education based on full time equivalent (FTE) of students. The District-wide Capital Projects Fund had expenditures of approximately \$32.0 million for the fiscal year ended June 30, 2017 and a fund balance of \$44.4 million.

Capital Assets and Debt Administration

Capital Assets

Capital assets increased from approximately \$110.8 million in fiscal year 2016 to approximately \$136.2 million in fiscal 2017. The majority of this increase is the result of several ongoing construction projects of approximately \$25 million for the additions to both Decatur High School and Renfroe Middle School. For more information on capital assets, see footnote 6.

Long-Term Debt and obligations

At the end of June 30, 2017, the District has long-term liabilities in the form of certificates of participation, City of Decatur intergovernmental payable, capital leases, net pension liability, and compensated absences. For more information on long-term debt, see footnote 7.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Certification of participation	\$26,945,000	\$ -	\$(645,000)	\$26,300,000	\$665,000
Net pension liability	39,349,643	21,212,317	(4,270,788)	56,291,172	-
Intergovernmental payable	3,645,000	-	(1,805,000)	1,840,000	1,840,000
Unamortized premium	560,588	-	(65,002)	495,586	-
Capital leases	8,083,871	1,534,723	(2,485,627)	7,132,967	426,431
Compensated absences	106,229	114,119	(112,520)	107,828	80,872
Governmental activities long term liabilities	<u>\$78,690,331</u>	<u>\$ 22,861,159</u>	<u>\$ (9,383,937)</u>	<u>\$92,167,553</u>	<u>\$ 3,012,303</u>

Factors Bearing on the District's Future

We are pleased that City Schools of Decatur continues to enjoy a strong financial position. We have seen a positive tax digest growth over the last few years and remain hopeful that it will continue. Educational funding from the State of Georgia is expected to remain at a conservatively low level, but we have had an increase in funding due to the District's increased enrollment.

The District remains confident in our ability to maximize resources so that we may provide the best possible educational experience for all our students.

Requests for Information

This financial report is designed to provide a general overview of the City of Decatur Board of Education's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Decatur Board of Education, Finance Director, 125 Electric Avenue, Decatur, Georgia 30030.

CITY OF DECATUR BOARD OF EDUCATION

**STATEMENT OF NET POSITION
JUNE 30, 2017**

ASSETS	Governmental Activities
Current Assets:	
Cash and cash equivalents	\$ 78,582,381
Receivables:	
Intergovernmental	4,173,160
Property taxes	2,592,230
Sales taxes	1,070,457
Accounts	5,651
Prepaid items	45,000
Inventory	10,208
Total Current Assets	86,479,087
Noncurrent Assets:	
Capital assets, nondepreciable	52,261,433
Capital assets, depreciable, net of accumulated depreciation	83,888,939
Total Noncurrent Assets	136,150,372
Total Assets	222,629,459
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	18,458,926
Total Assets and Deferred Outflows of Resources	\$ 241,088,385
LIABILITIES	
Current Liabilities:	
Accounts payable	3,697,764
Salaries payable	4,403,915
Contracts and retainage payables	3,821,853
Accrued interest payable	536,318
Capital leases payable	426,431
Certificates of participation	665,000
Contract payable to the City of Decatur	1,840,000
Compensated absences payable	80,872
Total Current Liabilities	15,472,153
Long-Term Liabilities (net of current portion):	
Capital leases payable	6,706,536
Certificates of participation	26,118,722
Net pension liability	56,291,172
Contract payable to the City of Decatur	11,864
Compensated absences payable	26,956
Total Long-Term Liabilities	89,155,250
Total Liabilities	104,627,403
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	278,360
Unearned revenue - property taxes	12,974,689
Total Deferred Inflows of Resources	13,253,049
NET POSITION	
Net investment in capital assets	96,559,966
Restricted for:	
Capital projects	44,424,259
Federal programs	13,542
School food operations	550,140
Unrestricted (deficit)	(18,339,974)
Total Net Position	123,207,933
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 241,088,385

The accompanying notes are an integral part of these financial statements.

CITY OF DECATUR BOARD OF EDUCATION

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
Instruction	\$ 41,399,016	\$ 2,619,335	\$ 26,419,016	\$ (12,360,665)
Support services:				
Pupil services	2,733,628	-	-	(2,733,628)
Improvement of instructional services	1,699,023	-	-	(1,699,023)
Educational media services	1,279,116	-	-	(1,279,116)
Grant administration	129,359	-	-	(129,359)
General administration	1,309,085	-	1,016,203	(292,882)
School administration	6,638,065	-	1,524,305	(5,113,760)
Business administration	520,507	-	-	(520,507)
Maintenance and operation of plant	7,158,799	-	1,524,305	(5,634,494)
Student transportation services	1,474,658	-	254,051	(1,220,607)
Central support services	1,506,335	-	-	(1,506,335)
Other support services	49,637	-	-	(49,637)
Food services operation	2,936,526	1,281,844	635,897	(1,018,785)
Community services operation	138,521	-	-	(138,521)
Interest on long-term debt and issuance costs	1,974,802	-	-	(1,974,802)
Total governmental activities	<u>\$ 70,947,077</u>	<u>\$ 3,901,179</u>	<u>\$ 31,373,777</u>	<u>(35,672,121)</u>
General revenues:				
Property taxes				32,216,590
Sales taxes				3,620,697
Unrestricted investment earnings				400,344
Other				1,706,139
Total general revenues				<u>37,943,770</u>
Change in net position				2,271,649
Net position, beginning of fiscal year				120,936,284
Net position, end of fiscal year				<u>\$ 123,207,933</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DECATUR BOARD OF EDUCATION

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017**

ASSETS	General Fund	District-Wide Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 29,818,272	\$ 48,164,213	\$ 599,896	\$ 78,582,381
Receivables:				
Intergovernmental	3,681,668	-	491,492	4,173,160
Property taxes, net of allowance	2,592,230	-	-	2,592,230
Sales taxes	-	1,070,457	-	1,070,457
Accounts	5,651	-	-	5,651
Due from other funds	929,525	-	1,701	931,226
Prepaid items	-	45,000	-	45,000
Inventory	-	-	10,208	10,208
Total assets	\$ 37,027,346	\$ 49,279,670	\$ 1,103,297	\$ 87,410,313
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,389,463	\$ 289,925	\$ 18,376	\$ 3,697,764
Salaries payable	4,308,217	-	95,698	4,403,915
Contracts and retainage payables	-	3,821,853	-	3,821,853
Due to other funds	-	515,893	415,333	931,226
Total liabilities	7,697,680	4,627,671	529,407	12,854,758
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	661,154	-	-	661,154
Unearned revenue - property taxes	12,974,689	-	-	12,974,689
Unavailable revenue	-	227,740	-	227,740
Total deferred inflows of resources	13,635,843	227,740	-	13,863,583
FUND BALANCES				
Fund balances:				
Nonspendable:				
Prepaid items	-	45,000	-	45,000
Inventory	-	-	10,208	10,208
Restricted:				
Federal programs	-	-	13,542	13,542
Capital projects	-	44,379,259	-	44,379,259
School food operations	-	-	550,140	550,140
Committed:				
Capital projects - school bus	263,247	-	-	263,247
Assigned:				
Subsequent fiscal year's budget deficit	6,163,831	-	-	6,163,831
Unassigned	9,266,745	-	-	9,266,745
Total fund balances	15,693,823	44,424,259	573,890	60,691,972
Total liabilities, deferred inflows of resources, and fund balances	\$ 37,027,346	\$ 49,279,670	\$ 1,103,297	\$ 87,410,313

The accompanying notes are an integral part of these financial statements.

CITY OF DECATUR BOARD OF EDUCATION

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2017**

Total Governmental Fund Balances	\$	60,691,972
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Amounts reported for governmental activities in the Government-wide Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds, but are reported on the government-wide statement of net position.

Cost	\$ 150,677,221	
Less accumulated depreciation	(14,526,849)	136,150,372

Receivables not collected within 60 days of fiscal year-end are not considered available and are deferred inflows of resources on the governmental funds' balance sheet but are recognized as revenue on the government-wide statement of net position.

Property taxes	\$ 661,154	
Intergovernmental revenue	227,740	888,894

Interfund receivables (or due from other funds) and payables (or due to other funds) between governmental funds are reported on the governmental funds' balance sheet but are eliminated on the government-wide statement of position.

Interfund receivables	\$ (931,226)	
Interfund payables	931,226	-

Long-term liabilities and certain deferred outflows and inflows of resources are not due and payable in the current period and therefore are not reported in the governmental funds' balance sheet but are reported on the government-wide statement of net position.

Accrued interest payable	\$ (536,318)	
Net pension liability	(56,291,172)	
Deferred outflows of resources related to pensions	18,458,926	
Deferred inflows of resources related to pensions	(278,360)	
Capital leases payable	(7,132,967)	
Certificates of participation (including unamortized premium)	(26,783,722)	
Intergovernmental payable to the City of Decatur (including unamortized premium)	(1,851,864)	
Compensated absences payable	(107,828)	(74,523,305)

Net Position of Governmental Activities	\$	123,207,933
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The accompanying notes are an integral part of these financial statements.

CITY OF DECATUR BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	General Fund	District-Wide Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 32,562,095	\$ -	\$ -	\$ 32,562,095
Sales taxes	-	3,620,697	-	3,620,697
Intergovernmental revenue - state	25,631,122	2,049,658	871,271	28,552,051
Intergovernmental revenue - federal	-	175,234	2,234,050	2,409,284
Charges for services	2,619,335	-	1,227,029	3,846,364
Investment income	65,989	334,206	149	400,344
Other revenue	1,742,124	-	54,666	1,796,790
On behalf payments	97,127	-	-	97,127
Total revenues	62,717,792	6,179,795	4,387,165	73,284,752
EXPENDITURES				
Current:				
Instruction	36,188,711	-	2,211,143	38,399,854
Support services:				
Pupil services	2,557,399	-	82,555	2,639,954
Improvement of instructional services	1,399,546	-	214,599	1,614,145
Educational media services	1,212,475	-	-	1,212,475
Grant administration	-	-	124,246	124,246
General administration	1,008,702	-	-	1,008,702
School administration	4,640,183	-	-	4,640,183
Business administration	498,795	-	-	498,795
Maintenance and operation of plant	6,705,043	-	-	6,705,043
Student transportation services	1,279,174	-	4,848	1,284,022
Central support services	1,445,366	-	-	1,445,366
Other support services	48,417	-	4	48,421
Food services operation	914,537	-	1,865,843	2,780,380
Community services operation	134,035	-	-	134,035
Capital outlay	-	28,898,323	-	28,898,323
Debt service:				
Principal retirement	2,584,570	2,351,057	-	4,935,627
Interest and fiscal charges	908,090	809,900	-	1,717,990
Total expenditures	61,525,043	32,059,280	4,503,238	98,087,561
Excess (deficiency) of revenues over (under) expenditures	1,192,749	(25,879,485)	(116,073)	(24,802,809)
OTHER FINANCING SOURCES (USES)				
Capital leases	1,534,723	-	-	1,534,723
Transfers in	8,524	-	221,646	230,170
Transfers out	(221,646)	(8,400)	(124)	(230,170)
Total other financing sources (uses)	1,321,601	(8,400)	221,522	1,534,723
Net change in fund balances	2,514,350	(25,887,885)	105,449	(23,268,086)
FUND BALANCE, beginning of fiscal year	13,179,473	70,312,144	468,441	83,960,058
FUND BALANCE, end of fiscal year	\$ 15,693,823	\$ 44,424,259	\$ 573,890	\$ 60,691,972

The accompanying notes are an integral part of these financial statements.

CITY OF DECATUR BOARD OF EDUCATION

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Net change in fund balances - total governmental funds	\$	(23,268,086)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.

Capital outlay	\$ 27,717,603	
Depreciation expense	(2,373,439)	25,344,164

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(117,765)
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Transfers between governmental funds are reported in the governmental funds but are eliminated on the government-wide statement of activities.

Transfers in	\$ (230,170)	
Transfers out	230,170	-

The issuance of long-term debt, (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal retirement:		
Capital leases	\$ 2,485,627	
Certificates of participation	645,000	
Contract payable to the City of Decatur	1,805,000	
Amortization of premiums	65,002	
Accrued interest	(256,812)	
Issuance of capital leases	(1,534,723)	3,209,094

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Net change in deferred outflows and inflows of resources related to pensions and net pension liability		(2,894,159)
Change in compensated absences		(1,599)

Change in net position - governmental activities	\$	<u>2,271,649</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF DECATUR BOARD OF EDUCATION

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance With Final Budget
	Original	Final		
REVENUES				
Property taxes	\$ 31,649,685	\$ 31,649,685	\$ 32,562,095	\$ 912,410
Intergovernmental revenue - state	24,028,077	24,107,414	25,631,122	1,523,708
Charges for services	2,517,700	2,517,700	2,619,335	101,635
Investment income	18,000	18,000	65,989	47,989
Other revenue	249,680	329,690	1,742,124	1,412,434
On behalf payments	-	-	97,127	97,127
Total revenues	<u>58,463,142</u>	<u>58,622,489</u>	<u>62,717,792</u>	<u>4,095,303</u>
EXPENDITURES				
Current:				
Instruction	38,471,098	38,418,537	36,188,711	2,229,826
Support services:				
Pupil services	2,586,766	2,609,262	2,557,399	51,863
Improvement of instructional services	1,593,446	1,615,915	1,399,546	216,369
Educational media services	1,348,173	1,353,574	1,212,475	141,099
General administration	949,946	1,079,694	1,008,702	70,992
School administration	4,526,993	4,847,094	4,640,183	206,911
Business administration	482,178	498,996	498,795	201
Maintenance and operation of plant	5,267,641	5,403,165	6,705,043	(1,301,878)
Student transportation services	1,340,824	1,504,071	1,279,174	224,897
Central support services	1,090,960	1,573,386	1,445,366	128,020
Other support services	107,000	87,517	48,417	39,100
Food services operation	997,350	1,050,616	914,537	136,079
Community services operation	89,789	124,406	134,035	(9,629)
Debt service - principal retirement	357,195	2,590,680	2,584,570	6,110
Debt service - interest and fiscal charges	764,644	786,487	908,090	(121,603)
Total expenditures	<u>59,974,003</u>	<u>63,543,400</u>	<u>61,525,043</u>	<u>2,018,357</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,510,861)</u>	<u>(4,920,911)</u>	<u>1,192,749</u>	<u>6,113,660</u>
OTHER FINANCING SOURCES (USES)				
Capital leases	-	-	1,534,723	1,534,723
Transfers in	-	-	8,524	8,524
Transfers out	(241,700)	(241,700)	(221,646)	20,054
Total other financing sources (uses)	<u>(241,700)</u>	<u>(241,700)</u>	<u>1,321,601</u>	<u>1,563,301</u>
Net change in fund balances	(1,752,561)	(5,162,611)	2,514,350	7,676,961
FUND BALANCE, beginning of fiscal year	<u>13,179,473</u>	<u>13,179,473</u>	<u>13,179,473</u>	<u>-</u>
FUND BALANCE, end of fiscal year	<u>\$ 11,426,912</u>	<u>\$ 8,016,862</u>	<u>\$ 15,693,823</u>	<u>\$ 7,676,961</u>

The accompanying notes are an integral part of these financial statements.

CITY OF DECATUR BOARD OF EDUCATION

**STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2017**

	ASSETS	Agency Fund
Cash and cash equivalents		\$ 523
Total assets		<u>\$ 523</u>
	LIABILITIES	
Due to others		\$ 523
Total liabilities		<u>\$ 523</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Decatur Board of Education (the “District”) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District was established under the laws of the State of Georgia and operates under the guidance of a five-member school board elected by the voters and a Superintendent appointed by the School Board. The District is organized as a separate legal entity and provides public education throughout the city of Decatur, Georgia, excluding DeKalb County, Georgia.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. For the fiscal year ended June 30, 2017, the District has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. Property taxes are recognized as revenue in the period for which they were levied if they are collected within sixty (60) days of year end. All other revenues are considered to be available when they are collectible within one hundred eighty (180) days of year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis.

The State of Georgia reimburses the District for teachers’ salaries and operating costs through the Quality Basic Education (QBE) Formula Earnings program. State of Georgia law defines the formula driven grant that determines the cost of an academic school year and the State of Georgia’s share in this cost. Generally teachers are contracted for the school year (July 1 – June 30) and paid over a twelve month contract period, generally September 1 through August 31. In accordance with the requirements of the enabling legislation of the QBE program, the State of Georgia reimburses the School System over the same twelve month period in which teachers are paid, funding the academic school year expenditures. At June 30, the amount of teachers’ salaries incurred but not paid until July and August of the subsequent fiscal year are accrued as the State of Georgia has only postponed the final payment of their share of the cost until the subsequent appropriations for cash management purposes. By June 30 of each fiscal year, the State of Georgia has a signed appropriation that includes this final amount, which represents the State of Georgia’s intent to fund this final payment. Based on guidance in Government Accounting Standards Board (GASB) Statement No. 33, paragraph 74, the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, and the District recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

In the governmental fund financial statements, property taxes, sales taxes, intergovernmental revenue, and interest are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year if they meet the appropriate recognition criteria. In accordance with GASB Statement No. 33, "Accounting and Financing Reporting for Non-exchange Transactions", the corresponding assets (receivables) in non-exchange transactions are recognized in the fiscal year in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all the eligibility requirements have been met, or when resources are received, depending on the revenue source. This is when the District gives or receives value without directly receiving or giving equal value in exchange including property taxes, local option sales taxes, intergovernmental grants and donations. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The **General Fund** is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The **District-Wide Capital Projects Fund** accounts for the proceeds of a one percent Special Purpose Local Option Sales Tax, intergovernmental revenue (bond proceeds) from other governments and certificates of participation. Funds are used for: building renovations; land and building acquisitions; and, construction of new educational facilities.

Additionally, the District reports the following fund types:

The **Agency Fund** is used to account for school activity funds that the District holds for others in an agency capacity.

The nonmajor governmental funds include the following funds:

The **School Food Services Fund** accounts for the monies and commodities received from the Federal and State governments and the School Food Service's cafeteria sales for the purpose of maintaining the District's breakfast, lunch, and snack programs.

The **Lottery Programs Fund** accounts for the Pre-K program administered by the District in which the revenues are legally restricted by external parties.

The **Federal Programs Fund** accounts for various Federal grant monies received by the District in which the revenues are legally restricted by external parties.

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets

Formal budgetary accounting is employed as a management control device for the General Fund, Special Revenue Funds, and District-wide Capital Projects Fund of the District. The governmental funds' budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual operating budgets are adopted for the General Fund and Special Revenue Funds each fiscal year through passage of an annual budget ordinance and amended as required. The District adopts project length budgets for the District-wide Capital Projects Fund. During the fiscal year ended June 30, 2017, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules.

All unencumbered budget appropriations lapse at the end of each fiscal year.

E. Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The local government investment pool, "Georgia Fund 1", created by OCGA 36-83-8, is a stable asset value investment pool, which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the Georgia Office of State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The pool also adjusts the value of its investments to fair market value as of fiscal year-end and the District's investment in the Georgia Fund 1 is reported at fair value. The District considers amounts held in Georgia Fund 1 as cash equivalents for financial statement presentation.

Increases or decreases in the fair value during the year are recognized as a component of interest income.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds."

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. On-Behalf Payments

The State of Georgia makes certain retirement plan payments on behalf of the District for its employees. The District records these payments as both a revenue and expenditure in the General Fund. The total of the on-behalf payments for the fiscal year ended June 30, 2017 was \$97,127.

H. Inventory and Prepaid Items

Inventories of the School Food Services Fund are stated at cost using the first-in, first-out method. Donated food commodities are recorded at fair value. The District utilizes the consumption method to recognize inventory usage. Under the consumption method, inventories are recorded as expenditures when used rather than when purchased.

Payments made to vendors for services that will benefit periods beyond June 30, 2017 are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditures/expense in the fiscal year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable, as this amount is not available for general appropriation.

I. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Equipment	5-20
Land improvements	15
Buildings and buildings improvements	50

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Obligations

In the government-wide financial statements long-term obligations are reported as liabilities in the statement of net position. In the fund financial statements, the face amount of debt issued and any related premium, is reported as other financing sources. Issuance costs, whether or not withheld from actual proceeds, are reported as debt service expenditures. The long-term obligations of the District at June 30, 2017 were compensated absences, capital leases, intergovernmental payable to the City of Decatur, net pension liability, and certificates of participation which are discussed later in these footnotes as other obligations.

K. Deferred Inflows/Outflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has several types of items that qualify for reporting in this category.

The governmental funds report unavailable revenues from property taxes and other revenues as these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. Additionally, the governmental funds balance sheet and the government wide statement of net position will report unearned property tax revenues as a deferred inflow of resources as the amount represents property taxes which have been received or are receivable as of the balance sheet date but which are meant to fund expenditures for the upcoming fiscal year and thus will be recognized as revenue in the period for which they have been levied.

Finally, the District also has deferred outflows and inflows of resources related to the recording of changes in its net pension liability. Certain changes in the net pension liability are recognized as pension expense over time instead of all being recognized in the year of occurrence. Experience gains or losses result from periodic studies by the District's actuary which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of Plan members. These experience gains or losses are recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of Plan members. Changes in actuarial assumptions which adjust the net pension liability are also recorded as deferred outflows of resources or deferred inflows of resources and are amortized into pension expense over the expected remaining service lives of Plan members. The difference between projected investment return on pension investments and actual return on those investments is also deferred and amortized against pension expense over a five year period.

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

Compensated absences represent obligations of the District relating to an employee's rights to receive compensation for future absences based upon service already rendered. This obligation relates only to vesting accumulating leave in which payment is probable and can be reasonably estimated. Accumulated unpaid sick leave costs are not vested and are not accrued, but are recognized as expenditures or expenses, when paid. Accumulated unpaid vacation costs are accrued when incurred in the government-wide financial statements.

Regular full-time twelve month custodial and maintenance staff earn vacation leave with pay from ten to fifteen days per fiscal year based on years of continuous service with a maximum accumulation of twenty days. Upon separation from the District, employees may be paid for unused vacation leave up to a maximum of twenty days at the current rate of pay.

M. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance." Fund equity for all other reporting is classified as "net position."

Fund Balance – Generally, fund balance represents the difference between the assets, liabilities, and deferred inflows of resources under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education through the adoption of a resolution. Likewise, fund balances that have been committed cannot be used for any other purposes unless the Board of Education removes the commitment of these funds through formal action of the adoption of a resolution.

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Equity (Continued)

Assigned – Fund balances are reported as assigned when amounts are constrained by the District’s intent to be used for the specific purposes, but are neither restricted nor committed. Through resolution, the Board of Education has authorized the Superintendent to assign fund balances.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The District reports positive unassigned fund balance only in the General Fund. The Board will strive to maintain an unassigned fund balance of between 4% - 15% based upon annual budgeted expenditures. The balance may be drawn down in the event of an unexpected decrease in the property tax digest or a reduction to state funding.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the District’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the District’s policy to use fund balance in the following order: (1) Committed, (2) Assigned, and (3) Unassigned.

Net Position – Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources in reporting which utilizes the economic resources measurement focus. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by retainage (contracts) payables and by the outstanding balances of any borrowing used (i.e., the amount that the District has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted. The District applies restricted resources first when an expense is incurred for purposes for which both are available.

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting fiscal year. Actual results could differ from those estimates.

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Pensions

TRS and PSERS For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System (TRS) and the Public School Employees Retirement System (PSERS) and additions to/deductions from TRS's and PSERS's fiduciary net position have been determined on the same basis as they are reported by TRS and PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2. LEGAL COMPLIANCE - BUDGETS

Budgetary Data. The budget is a complete financial plan for the District's fiscal year and is based upon careful estimates of expenditures together with probable funding sources. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds is prepared by fund, function, and object. The legal level of budgetary control was established by the Board at the aggregate level. The budget for the General Fund was prepared in accordance with U.S. generally accepted accounting principles.

The budgetary process begins with District administration presenting an initial budget for the Board's review. The Board provides the administration with revenue, expenditure, and fund balance guidelines, and receives public comments. Administration makes revisions as necessary and prepares a tentative budget for the Board's approval. After approval of this tentative budget by the Board, such a budget is advertised at least once in a newspaper of general circulation in the locality. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final school budget. This final budget is then submitted, in accordance with provisions of the Quality Basic Education Act, OCGA 20-2-167 (c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the fiscal year. All unexpended budget authority lapses at fiscal year-end.

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 2. LEGAL COMPLIANCE – BUDGETS (Continued)

The Superintendent is authorized by the Board to approve adjustments of no more than five percent of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board of Education. If expenditure of funds in any budget function for any fund is anticipated to be more than five percent of the budgeted amount, the Superintendent shall request board approval for the budget amendment. Any position or expenditure not previously approved in the annual budget and that exceeds \$25,000 shall require Board approval unless the Superintendent deems the position or purchase an emergency. In such case, the expenditure shall be reported to the Board at its regularly scheduled meeting. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board of Education.

For fiscal year ended June 30, 2017, the following departments had excesses of actual expenditures over appropriations:

General Fund departments:	
Maintenance and operation of plant	\$ 1,301,878
Community services operation	9,629
Debt service - interest and fiscal charges	121,603

These over expenditures were funded by greater than anticipated revenues and by available fund balance.

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3. DEPOSITS AND INVESTMENTS

Credit risk. State statutes authorize the District to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. Government; obligations fully insured or guaranteed by the U.S. Government or by a government agency of the United States; obligations of any corporation of the U.S. Government; prime bankers' acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

At June 30, 2017, information on the credit risk and interest rate risk related to the District's investments (which are classified as cash equivalents) is disclosed as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Credit rating</u>	<u>Fair Value</u>
Georgia Fund 1	26 day weighted average	AAAf	\$ 58,237,070

Interest rate risk. Interest rate risk is the risk that changes in interest rates may adversely affect an investment's fair value. Since the price of a bond fluctuates with market interest rates, the risk that an investor faces is that the price of the bonds in a portfolio will decline if market interest rates rise. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fair Value Measurements. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Georgia Fund 1 is an investment pool which does not meet the criteria of GASB Statement No. 79 and is thus valued at fair value in accordance with GASB Statement No. 31. As a result, the District does not disclose its investment in the Georgia Fund 1 within the fair value hierarchy.

Custodial Credit Risk - Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. Government, or bonds of public authorities, counties, or municipalities. As of June 30, 2017, the District had no bank balances exposed to custodial credit risk.

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4. RECEIVABLES

Receivables at June 30, 2017 for the District’s individual major funds and nonmajor governmental funds in the aggregate, are as follows:

	<u>General</u>	<u>District-wide Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Receivables:				
Intergovernmental	\$ 3,681,668	\$ -	\$ 491,492	\$ 4,173,160
Property taxes	2,911,662	-	-	2,911,662
Sales taxes	-	1,070,457	-	1,070,457
Accounts	5,651	-	-	5,651
Gross receivables	<u>6,598,981</u>	<u>1,070,457</u>	<u>491,492</u>	<u>8,160,930</u>
Less: Allowance for uncollectibles	(319,432)	-	-	(319,432)
Net receivables	<u><u>\$ 6,279,549</u></u>	<u><u>\$ 1,070,457</u></u>	<u><u>\$ 491,492</u></u>	<u><u>\$ 7,841,498</u></u>

NOTE 5. PROPERTY TAXES

The City of Decatur, Georgia bills and collects property taxes for the District. Property taxes are levied on property values assessed as of January 1. The tax levy is divided into two billings. The first billing is mailed April 1, and the second billing is mailed no later than October 20. The billings are considered due upon receipt by the taxpayer; however, the billings are considered delinquent on June 1 and December 20. After these dates, penalties and interest may be assessed by the City.

As discussed in Note 1, the District records deferred inflows of resources related to the property tax levies. At June 30, 2017, the District reports a deferred inflow of resources - unearned revenue of \$12,974,689 for the 2017 tax year digest collections which are budgeted to fund fiscal year 2018 operations as reported in both the balance sheet for governmental funds as well as the government-wide statement of net position. Furthermore, in the General Fund, the District reports a deferred inflow of resources - unavailable property taxes of \$661,154 which consists of the 2016 tax year digest (and prior fiscal year taxes) not collected within 60 days of June 30, 2017.

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017 is as follows:

Governmental activities	Beginning Balances	Additions	Deletions	Transfers	Ending Balances
Capital assets, not being depreciated					
Land	\$ 9,357,473	\$ 965,000	\$ -	\$ -	\$ 10,322,473
Construction in progress	16,924,798	25,014,162	-	-	41,938,960
Total	<u>26,282,271</u>	<u>25,979,162</u>	<u>-</u>	<u>-</u>	<u>52,261,433</u>
Capital assets, being depreciated					
Land improvements	367,390	-	-	-	367,390
Buildings and building improvements	89,720,931	1,464,955	-	-	91,185,886
Equipment	6,589,026	273,486	-	-	6,862,512
Total	<u>96,677,347</u>	<u>1,738,441</u>	<u>-</u>	<u>-</u>	<u>98,415,788</u>
Less accumulated depreciation for:					
Land improvements	(60,282)	(21,953)	-	-	(82,235)
Buildings and building improvements	(8,167,493)	(1,949,751)	-	-	(10,117,244)
Equipment	(3,925,635)	(401,735)	-	-	(4,327,370)
Total	<u>(12,153,410)</u>	<u>(2,373,439)</u>	<u>-</u>	<u>-</u>	<u>(14,526,849)</u>
Total capital assets, being depreciated, net	<u>84,523,937</u>	<u>(634,998)</u>	<u>-</u>	<u>-</u>	<u>83,888,939</u>
Governmental activities capital assets, net	<u>\$ 110,806,208</u>	<u>\$ 25,344,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 136,150,372</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:	
Instruction	\$ 5,210
General administration	155,183
School administration	1,811,296
Business administration	2,464
Maintenance and operation of plant	209,500
Student transportation	128,434
Improvement of instructional services	8,802
Central support services	14,211
Food services operation	<u>38,339</u>
Total depreciation expense - governmental activities	<u>\$ 2,373,439</u>

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7. LONG-TERM DEBT AND OBLIGATIONS

Long-term debt and obligations activity for the fiscal year ended June 30, 2017 is as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year	Due In More Than One Year
Governmental activities:						
Certificates of participation:						
Series 2010	\$ 9,160,000	\$ -	\$ (300,000)	\$ 8,860,000	\$ 310,000	\$ 8,550,000
Series 2014	17,785,000	-	(345,000)	17,440,000	355,000	17,085,000
Intergovernmental payable,						
City of Decatur	3,645,000	-	(1,805,000)	1,840,000	1,840,000	-
Unamortized premiums	560,588	-	(65,002)	495,586	-	495,586
Capital leases	8,083,871	1,534,723	(2,485,627)	7,132,967	426,431	6,706,536
Net pension liability	39,349,643	21,212,317	(4,270,788)	56,291,172	-	56,291,172
Compensated absences	106,229	114,119	(112,520)	107,828	80,872	26,956
Governmental activities long-term liabilities	<u>\$ 78,690,331</u>	<u>\$ 22,861,159</u>	<u>\$ (9,383,937)</u>	<u>\$ 92,167,553</u>	<u>\$ 3,012,303</u>	<u>\$ 89,155,250</u>

For governmental activities, the net pension liability, compensated absences and capital leases are generally liquidated by the General Fund. The certificates of participation, other capital leases, and the intergovernmental payable to the City of Decatur will be liquidated by the District-wide Capital Projects Fund.

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7. LONG-TERM DEBT AND OBLIGATIONS (Continued)

Certificates of Participation. In April 2014, the District entered into a lease agreement with the Georgia Municipal Association, Inc. (“GMA”). The funding of the lease was provided by the issuance of \$18,120,000 Certificates of Participation Series 2014 by GMA. The proceeds from the Certificates were used to finance the acquisition and construction of school buildings and facilities for the District and the costs incurred in connection with the execution and delivery of the certificates. The lease agreement with GMA provides that the District owns their portion of the assets and is responsible for the payment of their portion of the principal and interest of the Certificates of Participation. The principal is due in annual installments of \$335,000 to \$1,060,000 beginning in November 2014 and ending May 2044. Interest is payable at rates of 2.00% to 5.25%.

Fiscal Year Ending, June 30	Principal	Interest	Total
2018	\$ 355,000	\$ 752,888	\$ 1,107,888
2019	370,000	738,688	1,108,688
2020	385,000	723,888	1,108,888
2021	400,000	708,488	1,108,488
2022	415,000	692,488	1,107,488
2023-2027	2,330,000	3,203,538	5,533,538
2028-2032	2,930,000	2,606,600	5,536,600
2033-2037	3,665,000	1,869,256	5,534,256
2038-2042	4,510,000	1,029,338	5,539,338
2043-2044	2,080,000	133,446	2,213,446
Total	<u>\$ 17,440,000</u>	<u>\$ 12,458,618</u>	<u>\$ 29,898,618</u>
Plus: Unamortized premium	483,722		
Total	<u>\$ 17,923,722</u>		

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7. LONG-TERM DEBT AND OBLIGATIONS (Continued)

Certificates of Participation. In January 2010, the District entered into a lease agreement with the Georgia School Boards Association, Inc. (the "Association"). The funding of the lease was provided by the issuance of \$10,295,000 Taxable Certificates of Participation, Build America Bonds, Direct Payment, Series 2010 by the Association. The lease agreement with the Association provides that the District owns their portion of the assets and is responsible for the payment of their portion of the principal and interest of the Certificates of Participation. The principal is due in annual installments of \$275,000 to \$625,000 beginning in May 2013 to May 2037. Interest is payable at rates of 2.70% to 5.55%.

Fiscal Year Ending, June 30	Principal	Interest	Total
2018	\$ 310,000	\$ 524,135	\$ 834,135
2019	320,000	509,410	829,410
2020	330,000	493,890	823,890
2021	340,000	477,225	817,225
2022	350,000	459,715	809,715
2023-2027	1,955,000	1,998,455	3,953,455
2028-2032	2,365,000	1,364,835	3,729,835
2033-2037	2,890,000	560,385	3,450,385
Total	<u>\$ 8,860,000</u>	<u>\$ 6,388,050</u>	<u>\$ 15,248,050</u>

Intergovernmental Payable. In December 2012, the City of Decatur, on behalf of the District, issued \$5,415,000 in general obligation sales tax notes, with a premium of \$270,732 and principal and interest payments beginning May 1, 2013 through November 1, 2017 at an interest rate of 2.00%. The District will fund the notes with special purpose local option sales tax (SPLOST) revenues and thus the District has an intergovernmental payable to the City of Decatur equal to the outstanding notes. The proceeds from the notes were used for the cost of acquiring, constructing, and equipping certain capital projects for the District.

The intergovernmental payable currently outstanding is as follows:

Fiscal Year Ending, June 30	Principal	Interest	Total
2018	\$ 1,840,000	\$ 18,400	\$ 1,858,400
Total	1,840,000	<u>\$ 18,400</u>	<u>\$ 1,858,400</u>
Plus: Unamortized premium	11,864		
Total	<u>\$ 1,851,864</u>		

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7. LONG-TERM DEBT AND OBLIGATIONS (Continued)

Capital Leases. The District has entered into an agreement for the purpose of leasing a public works building. Under the terms of the agreement, the District will assure that the payments of principal and interest on the capital lease are made in a timely manner through January 2046. During fiscal year ended June 30, 2017, the District recognized capital lease proceeds of \$1,464,955 related to this building. The total annual payment is \$170,247. The outstanding balance of this capital lease payable to the City of Decatur as of June 30, 2017 is \$1,464,955.

The District entered into an agreement for numerous items of educational equipment and under the terms of the agreement the District will assure that the payments of principal and interest are made in a timely manner through July 2018. During fiscal year ended June 30, 2017, the District recognized capital lease proceeds of \$69,768 related to this equipment. The total annual payment is \$25,675. The outstanding balance of this capital lease payable as of June 30, 2017 is \$44,093.

The District has entered into four (4) agreements for numerous Apple computers and under the terms of the agreement the District will assure that the payments of principal and interest are made in a timely manner through August 2017. The total annual payment is \$201,777. The outstanding balance of these capital lease payables as of June 30, 2017 is \$74,203.

The District has entered into two (2) agreements for buses and under the terms of the agreement the District will assure that the payments of principal and interest are made in a timely manner through August 2021 and July 2022. The total annual payments are \$10,912 and \$130,564, respectively. The outstanding balance of these capital lease payables as of June 30, 2017 is \$784,716.

The District has entered into a capital lease transaction as the lessee with the City of Decatur. The agreement executed between the District and the City called for the City to construct a central administration facility for the District who, in turn, will be responsible for paying the City amounts equal to the debt service requirements on the Urban Redevelopment Agency Revenue Bonds, Series 2013B. The total annual payments (principal and interest) to be paid to the City of Decatur will range from \$394,231 to \$401,975. The outstanding balance of this capital lease payable to the City of Decatur as of June 30, 2017 is \$4,765,000.

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 7. LONG-TERM DEBT AND OBLIGATIONS (Continued)

The following is an analysis of assets under capital leases as of June 30, 2017:

<u>Assets</u>	<u>Governmental Activities</u>
Building improvements, software, and buses (acquisition costs)	\$ 12,610,235
Less accumulated depreciation	(1,570,745)
Net depreciable capital assets under leases	<u>\$ 11,039,490</u>

Annual depreciation of these assets is included in depreciation expense.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017 are as follows:

Fiscal Year Ending June 30,	<u>Governmental Activities</u>
2018	\$ 764,981
2019	686,131
2020	662,956
2021	665,056
2022	660,756
2023-2027	2,752,935
2028-2032	2,712,993
2033-2037	1,545,501
2038-2042	851,235
2043-2046	<u>680,988</u>
Total minimum lease payments	11,983,532
Less: amount representing interest	<u>(4,850,565)</u>
Present value of minimum lease payments	7,132,967
Less: current liabilities	(426,431)
Total due in more than one fiscal year	<u>\$ 6,706,536</u>

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances as of the fiscal year ended June 30, 2017 are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 413,632
General Fund	District-wide Capital Projects Fund	515,893
Nonmajor governmental funds	Nonmajor governmental funds	1,701
		<u>\$ 931,226</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers as of the fiscal year ended June 30, 2017 are as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Nonmajor governmental funds	General Fund	\$ 221,646
General Fund	Nonmajor governmental funds	124
General Fund	District-wide Capital Projects Fund	8,400
		<u>\$ 230,170</u>

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. RETIREMENT PLANS

Teachers Retirement System of Georgia (TRS)

Plan Description. The TRS is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS. The Teachers Retirement System of Georgia issues a separate stand alone financial audit report and a copy can be obtained at www.trsga.com/publications.

On October 25, 1996, the Board created the Supplemental Retirement Benefits Plan of the Georgia Teachers Retirement System (SRBP-TRS). SRPB-TRS was established as a qualified excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of TRS. The purpose of SRBP-TRS is to provide retirement benefits to employees covered by TRS whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRPB-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

Benefits Provided. TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions. Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A Section 47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the fiscal year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2017. The School District's contractually required contribution rate for fiscal year ended June 30, 2017 was 14.27% of the annual School District payroll. The School District's contributions to TRS were \$4,468,614 for the fiscal year ended June 30, 2017.

**CITY OF DECATUR BOARD OF EDUCATION
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2017**

NOTE 9. RETIREMENT PLANS (Continued)

Teachers Retirement System of Georgia (TRS) – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for support provided to the District by the State of Georgia for certain public school support personnel. The amount recognized by the District as its proportionate share of the net pension liability, the related State of Georgia support, and the total portion of the net pension liability that was associated with the District were as follows:

District’s proportionate share of the net pension liability	\$	56,291,172
State of Georgia’s proportionate share of the net pension liability associated with the District		<u>512,271</u>
Total	\$	<u><u>56,803,443</u></u>

At June 30, 2017, the District reported a liability for its proportionate share of the net pension liability in the amount of \$56,291,172. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The District’s proportion of the net pension liability was based on contributions to TRS during the fiscal year ended June 30, 2016. At June 30, 2016, the employer proportion was 0.258471%, which was an increase of 0.014375% from its proportion measured as of June 30, 2015.

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. RETIREMENT PLANS (Continued)

Teachers Retirement System of Georgia (TRS) – Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued):

For the fiscal year ended June 30, 2017, the District recognized pension expense of \$7,362,773 and revenue of \$64,109 for support provided by the State of Georgia for certain support personnel. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Net difference between projected and actual earnings on pension plan investments	\$ 7,121,065	\$ -
Differences between expected and actual experience	838,587	278,360
Changes in proportion and differences between Academy contributions and proportionate share of contributions	4,571,671	-
Changes of assumption	1,458,989	-
Academy contributions subsequent to the measurement date	<u>4,468,614</u>	<u>-</u>
Total	<u><u>\$ 18,458,926</u></u>	<u><u>\$ 278,360</u></u>

The District's contributions subsequent to the measurement date of \$4,468,614 are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2018	\$ 2,430,814
2019	2,430,811
2020	5,282,844
2021	3,366,064
2022	201,419
Total	<u><u>\$ 13,711,952</u></u>

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. RETIREMENT PLANS (Continued)

Teachers Retirement System of Georgia (TRS) – Continued

Actuarial Assumptions. The total pension liability as of June 30, 2017 was determined by an actuarial valuation as of June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.75 – 9.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Postretirement Benefit Increases	1.50% semi-annually

Postretirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service retirements and depended beneficiaries. The RP-2000 Disable Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for death after disability retirement. There is a margin for future mortality improvement on the tables used by the System. Based on the results of the most recent experience study adopted by the Board on November 18, 2015, the numbers of expected future deaths are 8-11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9-11% less than expected under the selected table for disabled retirees. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table on the following page:

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. RETIREMENT PLANS (Continued)

Teachers Retirement System of Georgia (TRS) – Continued

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00%	(0.50)%
Domestic large equities	39.80	9.00
Domestic mid equities	3.70	12.00
Domestic small equities	1.50	13.50
International developed market equities	19.40	8.00
International emerging market equities	5.60	12.00
Total	<u>100.00%</u>	

* Rates shown are net of the 2.75% assumed rate of inflation

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current discount rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
District's proportionate share of the net pension liability	\$ 87,617,904	\$ 56,291,172	\$ 30,498,772

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. RETIREMENT PLANS (Continued)

Teachers Retirement System of Georgia (TRS) – Continued

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS financial report which is publically available at <http://www.trsga.com>.

Public School Employees Retirement System (PSERS)

Plan Description. PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administers PSERS. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. PSERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

Benefits Provided. A member may retire and elect to receive normal monthly retirement benefits after completion of ten years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of ten years of service.

Upon retirement, the member will receive a monthly benefit of \$14.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

Contributions. The general assembly makes an annual appropriation to cover the employer contribution to PSERS on behalf of local school employees (bus drivers, cafeteria workers, and maintenance staff). The annual employer contribution required by statute is actuarially determined and paid directly to PSERS by the State Treasurer in accordance with O.C.G.A. §47-4-29(a) and 60(b). Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees.

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. RETIREMENT PLANS (Continued)

Public School Employees Retirement System (PSERS) (Continued)

Pension Liabilities and Pension Expense

At June 30, 2017, the District did not have a liability for a proportionate share of the net pension liability because of the related State of Georgia support. The amount of the state’s proportionate share of the net pension liability associated with the District is as follows:

State of Georgia’s proportionate share of the Net Pension Liability associated with the District	\$ <u>513,656</u>
--	-------------------

The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The state’s proportion of the net pension liability associated with the District was based on actuarially determined contributions paid by the state during the fiscal year ended June 30, 2016.

For the year ended June 30, 2017, the District recognized pension expense of \$84,207 and revenue of \$84,207 for support provided by the State of Georgia.

Acturial Assumptions. The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increase	3.75 - 9.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Postretirement mortality rates were based on the RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) for the period after service retirements and for dependent beneficiaries. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB (set forward 5 years for both males and females) was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9-11% less than expected under the selected table for disabled retirees. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9. RETIREMENT PLANS (Continued)

Public School Employees Retirement System (PSERS) (Continued)

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return*</u>
Fixed income	30.00%	(0.50)%
Domestic large stocks	37.20	9.00
Domestic mid stocks	3.40	12.00
Domestic small stocks	1.40	13.50
International developed market stocks	17.80	8.00
International emerging market stocks	5.20	12.00
Alternatives	5.00	11.00
Total	<u>100.00%</u>	

* Rates shown are net of the 3.00% assumed rate of inflation

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 10. RISK MANAGEMENT

The District is exposed to various risks of loss for claims associated with torts; theft of, damage to and destruction of assets; errors and omissions; natural disaster; workers compensation, and unemployment compensation. The District participates in the Georgia School Boards Association Risk and Insurance Management System (the “System”), a public entity risk pool organized on July 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability, motor vehicle liability, or property damage, including safety engineering and other loss prevention and control techniques, and to administer one or more groups of self-insurance funds, including the processing and defense of claims brought against members of the System. The District pays an annual premium to the System for its general insurance coverage. Additional coverage is provided through agreements by the System with other companies according to their specialty for property, boiler and machinery (including coverage for flood and earthquake), general liability (including coverage for sexual harassment, molestation, and abuse) and automobile risks. Payment of excess insurance for the System varies by line of coverage.

The District is self-insured with regard to unemployment compensation claims. The District accounts for its claims within the General Fund with an expenditure and a liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. The District unemployment claims during fiscal years ended June 30, 2017 and 2016 totaled \$3,097 and \$0, respectively.

The following describes the changes in the claims liability over the last two (2) fiscal years.

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Claims Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End of Fiscal Year Claims Liability</u>
2017	\$ -	\$ 3,097	\$ (3,097)	\$ -
2016	-	-	-	-

The District participates in the Georgia School Boards Association Workers’ Compensation Fund (the “Fund”), a public entity risk pool organized on July 1, 1992 to develop, implement, and administer a program of workers’ compensation self-insurance for its member organizations. The District pays an annual premium to the Fund for its general insurance coverage. Additional insurance coverage is provided through an agreement by the Fund with Safety National to provide coverage for potential losses sustained by the Fund in excess of \$100,000 loss per occurrence, up to the statutory limit.

The District has purchased surety bonds to provide additional insurance coverage as follows:

<u>Position covered</u>	<u>Amount</u>
Superintendent	\$ 100,000
All other employees	100,000

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11. COMMITMENTS AND CONTINGENCIES

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audits and adjustments by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2017 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the financial statements for such contingencies.

For the fiscal year ended June 30, 2017, the District has contractual commitments on uncompleted contracts totaling \$10,112,680. These contracts relate to construction and renovation projects at various facilities throughout the District.

NOTE 12. POSTEMPLOYMENT BENEFITS

Georgia Retiree Health Benefit Fund

Plan Description. The District contributes to the Georgia Retiree Health Benefit Fund (“GRHBF”), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Department of Community Health (the “DCH”). GRHBF provides health insurance benefits to eligible retirees and their qualified beneficiaries. Pursuant to Title 45, Chapter 18 of the Official Code of Georgia Annotated, the authority to establish and amend the benefit provisions of the plan is assigned to the Board of Community Health. The Department of Community Health issues a publicly available financial report that includes financial statements and required supplementary information for GRHBF. That report may be obtained from the Department of Community Health at 2 Peachtree Street, Atlanta, Georgia 30303.

Funding Policy. The contribution requirements of the plan members and participating employers are established and may be amended by the Board of Community Health. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. On average, plan members pay approximately twenty-five percent (25%) of the cost of health insurance coverage.

**CITY OF DECATUR BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12. POSTEMPLOYMENT BENEFITS (Continued)

Georgia Retiree Health Benefit Fund (Continued)

Participating employers are statutorily required to contribute in accordance with the employer contribution rate established to fund both the active and retired employee health insurance plans based on projected pay-as-you-go financing requirements. The employer contribution rates for the combined active and retiree plans for the fiscal year ended June 30, 2017, were as follows:

For certified teachers, librarians and regional service agencies and certain other eligible participants:

July 2016 – June 2017 \$945.00 per member per month

For non-certified school personnel:

July 2016 – December 2016 \$746.20 per member per month

January 2017 – June 2017 \$846.20 per member per month

No additional contribution was required by the Board of Community Health for fiscal year 2017 or contributed to GRBHF to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board of Community Health in accordance with the State plan for other postemployment benefits and are subject to appropriation. The District's contributions to the health insurance plans for the fiscal year ended June 30, 2017, 2016, and 2015 were \$7,939,526, \$7,307,866, and \$7,092,415, respectively, which equaled the annual required contribution.

NOTE 13. ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of \$97,127 for retirement contributions paid on the School District's behalf by the following State Agencies:

Georgia Department of Education paid to the Teachers Retirement District for Teachers Retirement (TRS) in the amount of \$32,337.

State Treasurer of the State of Georgia paid to the Public School Employees Retirement System for the Public School Employees Retirement (PSERS) employer's cost in the amount of \$64,790.

CITY OF DECATUR BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM (TRS)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.272846%	0.258471%	0.239106%
District's proportionate share of the net pension liability	\$ 56,291,172	\$ 39,349,643	\$ 30,207,889
State of Georgia's proportionate share of the net pension liability associated with the District	512,571	372,531	284,890
Total	<u>\$ 56,803,743</u>	<u>\$ 39,722,174</u>	<u>\$ 30,492,779</u>
District's covered-employee payroll	29,920,514	27,291,506	24,393,599
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	188%	144%	124%
Plan fiduciary net position as a percentage of the total pension liability	76.06%	81.44%	84.03%

Note: Schedule is intended to show information for the last ten (10) fiscal years. Additional years will be displayed as they become available.

CITY OF DECATUR BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM (TRS)

	2017	2016	2015	2014	2013
Contractually required contribution	\$ 4,468,614	4,270,788	3,587,737	\$ 2,995,534	\$ 2,653,597
Contributions in relation to the contractually required contribution	4,468,614	4,270,788	3,587,737	2,995,534	2,653,597
Contribution deficiency (excess)	\$ -	-	-	\$ -	\$ -
District's covered-employee payroll	\$ 31,314,744	29,920,514	27,291,506	\$ 24,393,599	\$ 23,256,766
Contributions as a percentage of covered-employee payroll	14.27%	14.27%	13.15%	12.28%	11.41%

Note: Schedule is intended to show information for the last ten (10) fiscal years. Additional years will be displayed as they become available.

CITY OF DECATUR BOARD OF EDUCATION

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
TEACHERS RETIREMENT SYSTEM (TRS)**

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three (3) years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for the fiscal year June 30, 2017 reported in that schedule:

Valuation date	June 30, 2015
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	7-year smoothed market
Inflation rate	3.75%
Salary increases	3.75 - 9.00%, including inflation.
Investment Rate of Return	7.50%, net of pension plan investment expense including inflation.
Post-Retirement Benefit Increases	1.50% semi-annually

CITY OF DECATUR BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC SCHOOLS EMPLOYEES RETIREMENT SYSTEM (PSERS)

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0%	0.0%	0.0%
District's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State of Georgia's proportionate share of the net pension liability associated with the District	513,656	322,493	272,575
Total	<u>\$ 513,656</u>	<u>\$ 322,493</u>	<u>\$ 272,575</u>
District's covered-employee payroll	\$ 964,773	\$ 804,376	\$ 646,925
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	81.00%	87.00%	88.29%

Note: Schedule is intended to show information for the last ten (10) fiscal years. Additional years will be displayed as they become available.

CITY OF DECATUR BOARD OF EDUCATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION PUBLIC SCHOOLS EMPLOYEES RETIREMENT SYSTEM (PSERS)

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

**CITY OF DECATUR BOARD OF EDUCATION
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt services or capital projects.

SCHOOL FOOD SERVICES

To account for the monies and commodities received from the federal and state governments and the School Food Service's cafeteria sales for the purpose of maintaining the District's breakfast, lunch, and snack programs.

LOTTERY PROGRAMS

To account for the Pre-K program administered by the District.

FEDERAL PROGRAMS

To account for various federal grant monies received by the District.

CITY OF DECATUR BOARD OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

	Special Revenue Funds				Total Nonmajor Governmental Funds
	School Food Services	Lottery Programs	Federal Programs	Total	
ASSETS					
Cash and cash equivalents	\$ 599,896	\$ -	\$ -	\$ -	\$ 599,896
Receivables:					
Intergovernmental	47,458	-	444,034	-	491,492
Due from other funds	-	1,701	-	-	1,701
Inventory	10,208	-	-	-	10,208
Total assets	<u>\$ 657,562</u>	<u>\$ 1,701</u>	<u>\$ 444,034</u>	<u>\$ -</u>	<u>\$ 1,103,297</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	842	1,701	15,833	-	18,376
Salaries payable	95,698	-	-	-	95,698
Due to other funds	674	-	414,659	-	415,333
Total liabilities	<u>97,214</u>	<u>1,701</u>	<u>430,492</u>	<u>-</u>	<u>529,407</u>
FUND BALANCES					
Fund balances:					
Nonspendable:					
Inventory	10,208	-	-	-	10,208
Restricted for:					
School food operations	550,140	-	-	-	550,140
Federal programs	-	-	13,542	-	13,542
Total fund balances	<u>560,348</u>	<u>-</u>	<u>13,542</u>	<u>-</u>	<u>573,890</u>
Total liabilities and fund balances	<u>\$ 657,562</u>	<u>\$ 1,701</u>	<u>\$ 444,034</u>	<u>\$ -</u>	<u>\$ 1,103,297</u>

CITY OF DECATUR BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Special Revenue Funds				Total
	School Food Services	Lottery Programs	Federal Programs	Nonmajor Governmental Funds	
REVENUES					
Intergovernmental - federal	\$ 640,985	-	\$ 1,593,065	\$	2,234,050
Intergovernmental - state	40,068	831,203	-	-	871,271
Charges for services	1,227,029	-	-	-	1,227,029
Investment income	149	-	-	-	149
Other revenue	54,666	-	-	-	54,666
Total revenues	<u>1,962,897</u>	<u>831,203</u>	<u>1,593,065</u>	<u>-</u>	<u>4,387,165</u>
EXPENDITURES					
Instruction	-	988,635	1,222,508	-	2,211,143
Support services:					
Pupil services	-	-	82,555	-	82,555
Improvement of instructional services	-	-	214,599	-	214,599
Grant administration	-	-	124,246	-	124,246
Student transportation services	-	-	4,848	-	4,848
Other support services	-	-	4	-	4
Food services operation	1,865,843	-	-	-	1,865,843
Total expenditures	<u>1,865,843</u>	<u>988,635</u>	<u>1,648,760</u>	<u>-</u>	<u>4,503,238</u>
Excess (deficiency) of revenues over (under) expenditures	<u>97,054</u>	<u>(157,432)</u>	<u>(55,695)</u>	<u>-</u>	<u>(116,073)</u>
OTHER FINANCING SOURCES					
Transfers in	-	157,432	64,214	-	221,646
Transfers out	-	-	(124)	-	(124)
Total other financing sources	<u>-</u>	<u>157,432</u>	<u>64,090</u>	<u>-</u>	<u>221,522</u>
Net change in fund balance	97,054	-	8,395	-	105,449
FUND BALANCE, beginning of fiscal year	<u>463,294</u>	<u>-</u>	<u>5,147</u>	<u>-</u>	<u>468,441</u>
FUND BALANCE, end of fiscal year	<u>\$ 560,348</u>	<u>\$ -</u>	<u>\$ 13,542</u>	<u>\$ -</u>	<u>\$ 573,890</u>

CITY OF DECATUR BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

2012 Issue

PROJECT	ORIGINAL ESTIMATED COST	CURRENT ESTIMATED COSTS	AMOUNT EXPENDED IN CURRENT YEAR	AMOUNT EXPENDED IN PRIOR YEARS	TOTAL AMOUNT EXPENDED TO DATE	PROJECT STATUS
To demolish existing structures or portions thereof at Renfro Middle School and to design, acquire, construct, renovate, modify, add to, repair, replace, improve, and equip Renfro Middle School and the surrounding green space including the conversion of the area formerly used as a gymnasium for use as classrooms.	\$ 960,000	\$ 1,114,451	\$ 1,114,451	\$ 1,114,451	\$ 1,114,451	Closed
Acquisition of facilities leased by the City Schools of Decatur, including the College Heights Early Learning Center and the 4-5 Academy at Fifth Avenue, as not existing and as hereafter improved.	4,415,000	5,119,891	902,427	4,217,464	5,119,891	Closed
To acquire, design, construct, renovate, modify, add to, repair, replace, demolish all or a portion of, improve and equip existing school buildings and other buildings and facilities, including green space, useful or desirable in connector there within, including: 4-5 Academy at Fifth Avenue Oakhurst Elementary School Westchester Elementary School Glenwood Elementary School Decatur High School Various School Improvements	2,355,000 2,990,116 1,300,000 30,000	3,475,680 2,954,114 951,683 20,575 671,355 217,997	261,712	3,475,680 2,954,114 951,683 20,575 409,643 217,997	3,475,680 2,954,114 951,683 20,575 671,355 217,997	Closed Closed Closed Closed Closed Closed Closed
School improvement and maintenance projects throughout the City Schools of Decatur, including but not limited to, HVAC renovations, repairs and replacements; roofing repairs and replacements; electrical repairs, renovations and upgrades, including but not limited to cost-saving energy efficiency capital projects; boiler renovations, repairs and upgrades; and other similar capital improvements.	2,000,000	1,595,126	116,629	1,478,497	1,595,126	Closed
To acquire, including, but not limited to, through lease-purchase design, construct and equip a new Central Office for the City Schools of Decatur, including parking.	3,015,000	1,110,270	400,725	709,545	1,110,270	Closed
Debt Service on intergovernmental payable to the City of Decatur for general obligation sales tax notes	850,000	5,802,032	1,864,700	2,078,932	3,943,632	Ongoing
To acquire computers or similar technology for the use of students and staff in and outside of the classroom.	200,000	192,090	2,810	189,280	192,090	Closed
	<u>\$ 18,115,116</u>	<u>\$ 23,225,264</u>	<u>\$ 3,549,003</u>	<u>\$ 17,817,861</u>	<u>\$ 21,366,864</u>	

Reconciliation of the Schedule of Approved Local Option Sales Tax Projects expenditures to the Capital Projects Fund total expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds:

Expenditures from above paid for by SPLOST funding	\$ 3,549,003
Expenditures not reflected above that were paid from other local sources of the School System	28,510,277
Total Capital Projects Expenditures	<u>\$ 32,059,280</u>

II. CONTINUING DISCLOSURE SECTION (Unaudited)

The following statistical section is presented to be in compliance with continuing disclosure requirements for the following debt issues:

\$18,120,000 Certificates of Participation
(City Schools of Decatur Project), Series 2014

And

\$10,295,000 Taxable Certificates of Participation
(City Schools of Decatur Project), Series 2010

And

\$5,415,000 City of Decatur, Georgia
Sales Tax Bonds Series 2012

CITY OF DECATUR BOARD OF EDUCATION

GENERAL INFORMATION - CUSIPS JUNE 30, 2017

\$18,120,000 Georgia Municipal Association, Inc. Certificates of Participation
(City Schools of Decatur Project), Series 2014

<u>Item</u>	<u>CUSIP</u>	<u>No</u>	<u>Date</u>
1	24310P	AA7	2016
2	24310P	AB5	2017
3	24310P	AC3	2018
4	24310P	AD1	2019
5	24310P	AE9	2020
6	24310P	AF6	2021
7	24310P	AG4	2022
8	24310P	AH2	2023
9	24310P	AJ8	2024
10	24310P	AK5	2025
11	24310P	AL3	2026
12	24310P	AM1	2027
13	24310P	AN9	2028
14	24310P	AP4	2029
15	24310P	AQ2	2030
16	24310P	AR0	2034
17	24310P	AS8	2039
18	24310P	AT6	2044

\$5,415,000 City of Decatur, Georgia Sales Tax Bonds Series 2012

<u>Item</u>	<u>CUSIP</u>	<u>No</u>	<u>Date</u>
1	243109	FJ9	2015
2	243109	FK6	2016
3	243109	FL4	2017

\$10,295,000 Taxable Certificates of Participation (City Schools of Decatur Project), Series 2010

<u>Item</u>	<u>CUSIP</u>	<u>No</u>	<u>Date</u>
1	243124	AB0	2014
2	243124	AC8	2015
3	243124	AD6	2016
4	243124	AE4	2017
5	243124	AF1	2018
6	243124	AG9	2019
7	243124	AH7	2020
8	243124	AJ3	2021
9	243124	AK0	2022
10	243124	AL8	2023
11	243124	AM6	2024
12	243124	AN4	2025
13	243124	AP9	2030
14	243124	AQ7	2037

CITY OF DECATUR BOARD OF EDUCATION

SCHOOL BUILDINGS (UNAUDITED)

JUNE 30, 2017

<u>School Name</u>	<u>Grades</u>	<u>Active Enrollment</u>	<u>Size of Site (acres)</u>	<u>Occupied Year ⁽¹⁾</u>	<u>Number of Instructional Units</u>
College Heights	PreK	197	6.19	1955	17
Clairemont	K-3	318	4.08	1936	18
Glennwood	K-3	292	4.13	1913	16
Oakhurst	K-3	490	5.85	1916	24
Westchester	K-3	298	7.49	2014	15
Winnona Park	K-3	441	4.13	1923	18
4/5 Academy	4-5	901	3.92	2011	35
Renfroe	6-8	1,252	8.02	1972	71
Decatur	9-12	1,339	16.61	1965	74
Totals		<u>5,528</u>	<u>60.42</u>		<u>288</u>

⁽¹⁾ Occupied year represents the year during which the school was initially opened and utilized for instructional purposes but does not reflect the most recent year of subsequent additions, improvements or renovations, if any to the facility.

CITY OF DECATUR BOARD OF EDUCATION

**ACTIVE PERSONNEL (UNAUDITED)
LAST EIGHT FISCAL YEARS**

Category	2017	2016	2015	2014	2013	2012	2011	2010
Teachers	434	410	407	387	339	314	284	239
Support	274	270	273	267	259	239	244	217
Administrators	47	39	39	40	36	35	36	33
Totals	<u>755</u>	<u>719</u>	<u>719</u>	<u>694</u>	<u>634</u>	<u>588</u>	<u>564</u>	<u>489</u>

CITY OF DECATUR BOARD OF EDUCATION

**SALES & USE TAX RECEIPTS
LAST EIGHT FISCAL YEARS**

(amounts expressed in thousands)

<u>Fiscal Year ended June 30,</u>	<u>Sales & Use Tax Receipts</u>
2017	\$ 3,621
2016	3,529
2015	3,534
2014	3,384
2013	3,303
2012	2,528
2011	2,357
2010	2,375

CITY OF DECATUR BOARD OF EDUCATION

LEGAL DEBT MARGIN INFORMATION - CITY OF DECATUR, GEORGIA (UNAUDITED)

JUNE 30, 2017

(amounts expressed in thousands)

Gross Tax Digest	<u>\$ 1,885,143</u>
Debt Limit (10% of Assessed Value)	<u>188,514</u>
Amount of Debt Applicable to Debt Limit	107,553
Less Amount set aside for repayment of general obligation debt	<u>(2,700)</u>
Total net debt applicable to limit	<u>104,853</u>
Legal Debt Margin	<u><u>\$ 83,661</u></u>

CITY OF DECATUR BOARD OF EDUCATION

**TAX DIGEST HISTORY (UNAUDITED)
LAST EIGHT TAX YEARS
(amounts expressed in thousands)**

Property Type	Tax Year							
	2016	2015	2014	2013	2012	2011	2010	2009
Residential	\$ 1,417,946	\$ 1,370,510	\$ 1,104,202	\$ 1,003,607	\$ 1,000,689	\$ 993,586	\$ 1,000,018	\$ 996,485
Commercial	243,143	210,898	190,813	175,035	167,430	158,863	162,993	165,632
Personal Property	22,447	23,124	21,507	23,054	22,174	21,086	20,649	20,385
Utility	5,708	15,236	15,153	14,640	14,299	13,590	15,989	16,474
Motor Vehicle	21,299	28,417	47,331	42,384	49,311	46,724	46,120	50,081
Gross Digest	1,710,543	1,648,185	1,379,006	1,258,720	1,253,903	1,233,849	1,245,769	1,249,057
Maintenance & Operation City Exemptions	132,877	131,095	98,373	111,549	126,914	125,110	122,579	118,900
City Net M&O Digest	<u>\$ 1,577,666</u>	<u>\$ 1,517,090</u>	<u>\$ 1,280,633</u>	<u>\$ 1,147,171</u>	<u>\$ 1,126,989</u>	<u>\$ 1,108,739</u>	<u>\$ 1,123,190</u>	<u>\$ 1,130,157</u>
Maintenance & Operation School Exemptions	84,745	65,148	65,278	66,559	65,244	65,429	63,621	66,711
School Net M&O Digest	<u>\$ 1,625,798</u>	<u>\$ 1,583,037</u>	<u>\$ 1,313,728</u>	<u>\$ 1,192,161</u>	<u>\$ 1,188,659</u>	<u>\$ 1,168,420</u>	<u>\$ 1,182,148</u>	<u>\$ 1,182,346</u>
Estimated Actual Value	<u>\$ 3,421,086</u>	<u>\$ 3,296,370</u>	<u>\$ 2,758,012</u>	<u>\$ 2,517,440</u>	<u>\$ 2,507,806</u>	<u>\$ 2,467,698</u>	<u>\$ 2,491,538</u>	<u>\$ 2,498,114</u>

CITY OF DECATUR BOARD OF EDUCATION

**PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS (UNAUDITED)
LAST EIGHT TAX YEARS**

Government	Tax Year							
	2016	2015	2014	2013	2012	2011	2010	2009
<u>Direct Rates</u>								
City of Decatur Board of Education:								
Operating	18.660	18.660	20.500	20.900	20.900	20.900	19.900	19.900
<u>Overlapping Rates</u>								
City of Decatur:								
Maintenance & Operating	10.680	11.080	11.580	11.580	11.580	11.680	11.595	11.595
Bonds	2.490	0.920	1.420	1.420	1.420	1.320	1.440	1.440
DeKalb County:								
Maintenance & Operating	8.760	10.390	8.220	10.710	10.430	10.430	8.000	8.000
Bonds	0.010	0.630	1.670	1.920	2.420	2.420	1.940	1.940
Special Service	30.880	20.400	22.650	22.350	16.080	16.080	18.620	18.620
Hospital	0.740	0.890	0.800	0.800	0.940	0.940	0.960	0.960
State	0.050	0.050	0.100	0.150	0.250	0.250	0.250	0.250
Total Direct & Overlapping Rates	<u>72.270</u>	<u>63.020</u>	<u>66.940</u>	<u>69.830</u>	<u>64.020</u>	<u>64.020</u>	<u>62.705</u>	<u>62.705</u>

CITY OF DECATUR BOARD OF EDUCATION

PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)

LAST EIGHT TAX YEARS

(amounts expressed in thousands)

Tax Year	Taxes Levied for the Tax Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Fiscal Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2016	\$50,512	\$22,412	44.4%	\$27,869	\$50,281	99.5%
2015	\$44,385	\$19,783	44.6%	\$24,405	\$44,188	99.6%
2014	\$40,749	\$17,539	43.0%	\$23,076	\$40,615	99.7%
2013	\$36,499	\$17,139	47.0%	\$19,356	\$36,495	100.0%
2012	\$35,781	\$17,185	48.0%	\$18,593	\$35,778	100.0%
2011	\$35,855	\$16,759	46.7%	\$19,092	\$35,851	100.0%
2010	\$34,872	\$16,682	47.8%	\$18,190	\$34,872	100.0%
2009	\$35,153	\$15,442	43.9%	\$19,701	\$35,143	100.0%

CITY OF DECATUR BOARD OF EDUCATION

**TAX REVENUE SOURCES - CITY OF DECATUR, GEORGIA (UNAUDITED)
LAST EIGHT FISCAL YEARS
(amounts expressed in thousands)**

<u>Tax Source</u>	Fiscal Year Ended June 30,							
	2017	2016	2015	2014	2013	2012	2011	2010
General Property Tax	\$ 22,151	\$ 20,097	\$ 17,700	\$ 15,100	\$ 14,824	\$ 14,769	\$ 14,765	\$ 15,360
Franchise Tax	1,704	1,623	1,564	1,451	1,486	1,510	1,466	1,377
Sales Tax	5,503	5,001	5,675	4,944	4,580	3,706	694	617
Insurance Tax	1,223	1,114	1,046	997	963	907	977	1,006
Other Taxes	554	562	515	502	501	425	421	388
Total	<u>\$ 31,135</u>	<u>\$ 28,397</u>	<u>\$ 26,500</u>	<u>\$ 22,994</u>	<u>\$ 22,354</u>	<u>\$ 21,317</u>	<u>\$ 18,323</u>	<u>\$ 18,748</u>

⁽¹⁾Includes penalties and interest on delinquent taxes, business personal property tax, payments in lieu of tax, and homestead tax credit reimbursement.

CITY OF DECATUR BOARD OF EDUCATION
PRINCIPAL PROPERTY TAXPAYERS (UNAUDITED)
JUNE 30, 2017

Taxpayer	Taxable Assessed Value	Percentage of Taxable Assessed Value
Decatur Properties I LLC	\$ 20,498,550	1.15%
Clairemont Apartments LLC	17,296,900	0.97%
DTC Partners	13,298,400	0.75%
Decatur Trinity MF 1 LP	11,757,500	0.66%
N G One West Court LLC	11,250,000	0.63%
GP Govt Properties I LLC	11,145,650	0.63%
RREF II DB DRI LLC	10,983,586	0.62%
Gateway Clairemont	9,226,689	0.52%
SNH Medical Office Properties	8,808,566	0.49%
Summit Hopsitality 126 LLC	8,505,276	0.48%
Totals	\$ 122,771,117	0.07%

CITY OF DECATUR BOARD OF EDUCATION

**ANNUAL FINAL BUDGET (GAAP BASIS) - CITY OF DECATUR, GEORGIA (UNAUDITED)
FOR THE FISCAL YEARS ENDING JUNE 30, 2017 AND 2016
(amounts expressed in thousands)**

	Fiscal Year Ending June 30,	
	2017	2016
Revenues		
Taxes	\$ 19,484	\$ 19,731
Licenses and permits	1,378	656
Intergovernmental	409	371
Fines and forfeitures	784	718
Charges for services	1,778	1,910
Interest income	-	-
Other revenues	153	200
Proceeds from sale of capital assets	-	-
Transfers	727	574
Total Revenue	<u>24,713</u>	<u>24,160</u>
Expenditures		
General government	9,404	8,485
Public safety	9,179	9,039
Public works	3,650	3,347
Recreation	2,101	1,893
Transfers	935	756
Total Expenditures	<u>25,269</u>	<u>23,520</u>
Net change in fund balance	(556)	640
Fund balance, beginning of fiscal year	7,849	7,209
Fund balance, end of fiscal year	<u>\$ 7,293</u>	<u>\$ 7,849</u>

III. SINGLE AUDIT SECTION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**To the Superintendent and Members of
the City of Decatur Board of Education
Decatur, Georgia**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Decatur Board of Education, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Decatur Board of Education's basic financial statements, and have issued our report thereon dated November 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Decatur Board of Education's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Decatur Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Decatur Board of Education's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Decatur Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Decatur Board of Education's Response to Finding

City of Decatur Board of Education's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Decatur Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 20, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

**To the Superintendent and Members of
the City of Decatur Board of Education
Decatur, Georgia**

Report on Compliance for Each Major Federal Program

We have audited the City of Decatur Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Decatur Board of Education's major federal programs for the fiscal year ended June 30, 2017. The City of Decatur Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Decatur Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Decatur Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Decatur Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Decatur Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the City of Decatur Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Decatur Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Decatur Board of Education's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 20, 2017

CITY OF DECATUR BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>FUNDING AGENCY PROGRAM/GRANT</u>	<u>CFDA NUMBER</u>	<u>PASS- THROUGH ENTITY ID NUMBER</u>	<u>EXPENDITURES</u>
U.S. Department of Agriculture			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education:			
Child Nutrition Cluster			
School Breakfast Program	10.553	3100	\$ 88,840
National School Lunch Program	10.555	3100	547,057
National School Lunch Program			<u>635,897</u>
Total Child Nutrition Cluster			<u>635,897</u>
Other Programs			
Commercial Warehouses for Storage and Delivery of USDA Foods	10.560	N/A	<u>5,088</u>
Total U.S. Department of Agriculture			<u>640,985</u>
U.S. Department of Education			
Exceptional Student Services Cluster			
Pass-Through From Georgia Department of Education:			
Part B-Exceptional Student			
Flow Through	84.027	2824	730,385
High Cost Fund Pool	84.027	2824	27,942
Preschool	84.173	2820	<u>22,845</u>
Total Exceptional Student Services Cluster			<u>781,172</u>
Title I Part A Cluster			
Pass-Through From Georgia Department of Education:			
Part A - Title I			
Grants to Local Educational Agencies	84.010	1750	<u>518,853</u>
Total Title I Part -A Cluster			<u>518,853</u>

(Continued)

CITY OF DECATUR BOARD OF EDUCATION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<u>FUNDING AGENCY PROGRAM/GRANT</u>	<u>CFDA NUMBER</u>	<u>PASS- THROUGH ENTITY ID NUMBER</u>	<u>EXPENDITURES</u>
Other Programs			
Pass-Through From Georgia Department of Education:			
Title II			
Improving Teacher Quality	84.367	1784	<u>160,234</u>
Title III			
Limited English Proficient (LEP)	84.365	1816	<u>722</u>
Vocational Education-Basic Grants to States			
Perkins Plus	84.048	3315	6,635
CTE Perkins IV Grant Program Improvement	84.048	3315	<u>19,317</u>
			<u>25,952</u>
Total U.S. Department of Education			<u>1,486,933</u>
U.S. Department of Defense			
Direct			
Department of the Army			
R.O.T.C. Program	Unknown	1862	<u>106,132</u>
Total Expenditures of Federal Awards			<u>\$ 2,234,050</u>

Notes to the Schedule of Expenditures of Federal Awards

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

The District did not utilize the 10% de minimus indirect cost rate permitted by the Uniform Guidance.

The District did not provide Federal Assistance to any Subrecipient.

CITY OF DECATUR BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued on whether the financial
Statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:
Material weaknesses identified? yes no

Significant deficiencies identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:
Material weaknesses identified? yes no

Significant deficiencies identified? yes none reported

Type of auditor’s report issued on compliance for
major programs Unmodified

Any audit findings disclosed that are required to
be reported in accordance with
2 CFR 200.516(a)? yes no

Identification of major program:

Name of Federal Program or Cluster / CFDA Number

Exceptional Student Services Cluster CFDA #84.027 & #84.173

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes no

CITY OF DECATUR BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Section II – Financial Statement Findings and Responses

2017-001 Year-end Financial Close and Reporting Controls

Criteria: Internal controls should be in place to ensure that all amounts reported within the financial statements are accurate, appropriately reported in the correct period and in accordance with generally accepted accounting principles (GAAP).

Condition and Context: Internal controls were not in place to ensure opening equity, revenues, receivables, lease payables, and other closing entries are properly reported within the financial statements. Generally accepted accounting principles require financial statements to be prepared under the modified accrual basis of accounting for governmental funds. We noted opening equity balances were misstated in the School Food Services Fund, revenues and receivables were not properly stated in the current year in the fund, and lease payables and related assets in governmental activities were not properly reported at June 30, 2017.

Cause: During our testing, we noted the following issues related to year-end financial close and reporting controls as of and for the year ended June 30, 2017:

- During our testing of School Food Services opening balances, an audit adjustment of \$21,065 was required to adjust the opening equity of the School Food Services Fund. The entry included adjusting expenditure balances as the District understated expenditures based on the consumption method of inventory accounting during the fiscal year ended June 30, 2017.
- During our testing of revenues and receivables, an audit adjustment of \$597,373 in the District-Wide Capital Projects Fund was required to properly record revenue and receivable balances in the current year. The adjustment was due to a reimbursement based grant that reimbursed expenditures incurred prior to June 30, 2017, but the reimbursement was received by the District after fiscal year-end. An audit adjustment accrued the receivable and related revenues at June 30, 2017.
- During our testing of lease payables, an audit adjustment of \$1,733,522 was required to properly report a lease (and related accrued interest) payable as well as the District's accumulated depreciation expense related to an intergovernmental agreement between the District and the City of Decatur for the lease of space at the City's public works building. Pursuant to the lease agreement, the fiscal year ended June 30, 2017 was the first year in which a rent payment was owed to the City. A subsequent review of the lease agreement revealed that the lease qualifies as a capital lease in which the District is the lessee under GASB Statement No. 62. This non-routine transaction requires different accounting treatment in the government-wide financial statements; however, it does not have any impact on the cash flows or fund balances of the City.

CITY OF DECATUR BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Effects: If the aforementioned adjustments were not made, the opening equity balances, revenue balances, receivable balances, lease payable balances and related assets of the District would have been materially misstated as of year-end, thus providing misleading information to the readers of the financial statements.

Recommendation: We recommend the District strengthen internal controls surrounding the year-end financial close out procedures to properly state the financial statements in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding. We will take necessary steps to ensure amounts are properly stated in the future.

CITY OF DECATUR BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Section III – Federal Award Findings and Questioned Costs

None noted.

CITY OF DECATUR BOARD OF EDUCATION
STATUS OF PRIOR FISCAL YEAR FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Section IV – Status of Prior Audit Findings

2016-001 Payroll Liabilities and Related Expenditures

Criteria: Internal controls should be in place to ensure the financial statements properly present the financial position of the District's funds in accordance with generally accepted accounting principles (GAAP).

Cause: During our testing, an audit adjustment in the School Food Services Fund of approximately \$30,000 was required to properly report payroll expenditures and the related accrued liability in the proper period. Payroll expenditures and related liabilities earned prior to June 30, 2016 but not paid until subsequent to June 30, 2016 was over-accrued for the fiscal year ended June 30, 2016.

Status: Finding was resolved during the current fiscal year.

CITY OF DECATUR BOARD OF EDUCATION
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

2017-001 Year-end Financial Close and Reporting Controls

Name of the Contact Person Responsible for the Corrective Action Plan: Allison Goodman, School Nutrition Director and Susan Hurst, Director of Finance.

Corrective Action Plan: The District will review the year-end close out procedures to ensure the financial statements are reported in accordance with generally accepted accounting principles.

Anticipated Completion Date: June 30, 2018